

# EDITORIAL JULY/AUGUST 2011

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## **How to keep lawyers at home busy and clients abroad happy?**

Este verano seguramente, será un momento clave para la reflexión en el sector jurídico. Gestionar el impacto de un entorno económico difícil sigue siendo el reto de los socios directores, aunque muchos reconocen que las oportunidades más inmediatas están fuera de sus fronteras. Reconciliar esta realidad es la mayor prueba estratégica: ¿cómo mantener a los abogados ocupados en casa y satisfacer las necesidades de los clientes en el extranjero?

Para algunos esto significa aflojar los vínculos que tenían en sus relaciones internacionales y ganar así independencia. Para otros lo contrario. Los despachos deben ser capaces de responder a las necesidades cambiantes de sus clientes y si es posible adaptarse, afirman algunos socios directores. Con el tiempo, quizás el 2011 no sea de los años más afortunados, pero será recordado como una época de transformación y cambio.

This summer will be one to remember for Iberia's legal community, with the first half of the year already presenting lawyers with much to think over.

The financial assistance package presented to Portugal offers tough love and the need to restructure the country's debts and sell-off state businesses – a process that appears to be underway, with firms across Lisbon being drawn into bids and counterbids for Government assets. Portugal may be a buyers' market, but lawyers are clearly grateful for the upturn in transactional and finance activity that the bailout has brought. In private, many also welcome the legislative changes being imposed to improve labour flexibility and reduce the size of the public sector, albeit reducing public spending is impacting on their own and their clients' revenues.

In Spain, there may be less formal pressure but it too continues to feel the squeeze. The successful listing of two new banks has brought a huge collective sigh of relief from the business community. But a lack of confidence in the wider economy remains and is little helped by continuing concerns over the Greek and now Italian economies. The eurozone's worries are far from over.

Nonetheless the prospect of a continuing downturn – and now Parliamentary elections in Spain – appears to be helping to reconcile buyers' and sellers' price expectations. Prices are falling and private equity levels are nearing levels last seen in 2007. And with more club deals as investors seek to share risks (and rewards) a larger number of firms are being drawn into transactions.

Managing the impact of the domestic financial crises may continue to challenge managing partners, but many recognise that the biggest immediate opportunities lie beyond the borders of Spain and Portugal. Reconciling this is however a major strategic test: how to keep lawyers at home busy and clients abroad happy?

For some, this means loosening the ties that have characterised their international relationships in previous years and regaining their independence. In Brazil, for example, some firms are generating a flood of referrals and now want greater freedom to play the market – to explore the option of launching their own operation and to benefit from a wider source of outbound referrals.

For other firms the exact opposite is true. Stronger ties offer a tentative precursor for closer structural unions. The increasingly virtuous investment triangle encompassing Brazil, Portugal and Angola seems to reflect this need for a more joined-up approach.

Law firms need therefore not only to respond to their clients' changing needs but where possible match them, say some managing partners. With hindsight, 2011 may not quite be considered a vintage year, but it will be seen as one in which difficult and transformational decisions were taken.